



**University of
Zurich^{UZH}**

**Zurich Open Repository and
Archive**

University of Zurich
University Library
Strickhofstrasse 39
CH-8057 Zurich
www.zora.uzh.ch

Year: 2018

**Buchbesprechung von Kent E. Calder, Circles of Compensation: Economic
Growth and the Globalization of Japan (Stanford: Stanford University
Press, 2017)**

Chiavacci, David

Posted at the Zurich Open Repository and Archive, University of Zurich

ZORA URL: <https://doi.org/10.5167/uzh-158828>

Journal Article

Published Version

Originally published at:

Chiavacci, David (2018). Buchbesprechung von Kent E. Calder, Circles of Compensation: Economic Growth and the Globalization of Japan (Stanford: Stanford University Press, 2017). Pacific Affairs : An International Review of Asia and the Pacific, 91(3):609-611.

Book Reviews	
Documentary Film Reviews	

BOOK REVIEWS ([HTTPS://PACIFICAFFAIRS.UBC.CA/CATEGORY/BOOK-REVIEWS/](https://pacificaffairs.ubc.ca/category/book-reviews/)) ,
NORTHEAST ASIA ([HTTPS://PACIFICAFFAIRS.UBC.CA/CATEGORY/BOOK-REVIEWS/NORTHEAST-ASIA/](https://pacificaffairs.ubc.ca/category/book-reviews/northeast-asia/))

VOLUME 91 – NO. 3 ([HTTPS://PACIFICAFFAIRS.UBC.CA/UBC-PRODUCT/VOLUME-91-NO-3/](https://pacificaffairs.ubc.ca/ubc-product/volume-91-no-3/))

CIRCLES OF COMPENSATION: Economic Growth and the Globalization of Japan | By Kent E. Calder

Stanford, CA: Stanford University Press, 2017. xvi, 297 pp. (Tables, graphs, figures, maps.) US\$29.95, paper. ISBN 978-1-5036-0244-1.

When the author of such a seminal study as *Crisis and Compensation: Public Policy and Political Stability in Japan* (Princeton University Press, 1988) publishes a new book, our expectations are obviously high. Although the new monograph by Kent E. Calder does not completely meet these stellar expectations, it is still a must-read. Calder takes on the big question of how we can explain the fast economic catch-up and innovative power of modern Japan and its sudden transformation into a country of economic stagnation and slow decline. He also discusses what kind of reforms Japan needs to return to a path of economic dynamism in the future. Finally, Calder addresses not only contemporary Japan and its malaise, but strives also for theory building in general.

Calder takes a structural view and attributes Japan's ongoing standstill to the lack of reforms beyond its economy cycles. The main focus in his explanation of this structural malaise is on subnational institutions of thick public-private networks. He calls them "circles of compensation" and discusses how they shape Japan's state actors and private companies. In his own words: "Circles of compensations systemically internalize reward and externalize risk, introducing a parochial bias into both policy and corporate behavior that enhances in-group solidarity, and reduces incentives to pursue outside initiatives, thus inhibiting both individual and corporate responsiveness to globalization" (42). While these circles of compensation played a crucial and positive role in Japan's late development and economic success story, they have become a braking factor in the new era of globalization. The high degree of coordination among the members of these circles has insulated them from global pressure, which in turn has led to a "glacial speed" (8) in reforms. Hence, these circles of compensation are the main incentive structure, resulting in an insufficient reaction to global challenges and in an increasingly dual economy with a preference for insiders. To give substance to his argument, Calder not only studies the historical development and recent impact of such circles of compensation in six areas (finance, land and housing, food supply, energy, transportation, and communications), but also discusses counterfactual corporate and sectoral cases. In his view, circles of compensation are not a unique characteristic of Japan and do not have the same strength in all economic sectors. Despite being especially dominant and dispersed in Japan's economy, they are also present in many sectors of other coordinated market economies and even in some sectors of liberal market economies like the US. Based on his analysis, Calder suggests that reforms for a more open and cosmopolitan Japan have to be implemented gradually and synergistically.

This new book offers an innovative and important analysis of Japan's political economy. Calder's argument is highly sophisticated and subtle. For example, although he implicitly treats the liberal market economies of Anglo-Saxon countries as benchmarks of successful globalization, he does not simply recommend that Japan mimic these economies. Rather, he suggests Japan gradually reshape its own political-economic model by copying Asian and European nations with similar communitarian traditions. Moreover, the author focuses in his study on the meso level, which has not received enough attention in recent scholarship, and on developing a theoretical argument beyond the single case of Japan.

Still, it remains to be seen to what degree the concept of circles of compensation will be taken up in the academic marketplace of ideas. Without clear indicators to measure these circles of compensation, I am concerned the concept will not have a lasting impact. Although Calder tries to give substance to his concept, it remains rather ambivalent. The internal mechanisms and functioning of these circles of compensation are not really presented in detail and remain obscure. A good example is the superficial treatment of Sony, which has often been regarded as a prime example of a Japanese company embracing globalization with its early introduction of foreign board members. Still, in recent years, it has encountered serious problems and is arguably the biggest Japanese star that has fallen from the sky of the global corporate elite. Hence, it should be the best available case study for Calder to test his thesis. However, he simply writes that "Sony's recent problems appear to have been generated by closed, collaborative, bureaucratic industrial practices related to or similar to those of circles of compensation,

rather than the more open, individualistic, and entrepreneurial practices of its own earlier years" (194), but fails to back up this statement with substantial empirical analysis and findings. This is not convincing. One may also question whether the empirical starting point of the book in Japan's recent economic underperformance is really so clear. Yes, everybody in Japan speaks of the lost decades, but it has quite often been noted that Japan's economic trajectory in recent decades is no longer outstandingly bad when measured per working-age adult. In fact, I first understood Calder's statement in the preface, of a "contrast between the turbulence of a globalizing post-Cold War world [...] and the tranquility of Japan itself" (xv), more positively as describing Japan as a case of outstanding stability, than was actually intended by the author. In this time of Brexit and the election of President Trump, one must question to what degree liberal market economies are really the success cases of globalization. To say the least, not everybody in the UK and the US seems to agree that they live in the best of all possible systems. Also missing are some recent Japanese contributions in the book. Empirical studies on Japanese pressure groups would have been especially important sources to further develop and detail the circles of compensation as a concept and their change over recent decades (for example, Michio Muramatsu and Ikuo Kume, eds., *Nihon seiji: hendō no 30-nen*, Tōyō keizai shinpōsha, 2006; Yutaka Tsujinaka, ed., *Seiji hendōki no atsuruyoku dantai*, Yūhikaku, 2016). For a book stressing and criticizing the parochial character of Japan, one cannot help but note a strong Western and especially American bias in the literature and ideas it quotes.

Still, Calder has certainly provided us with another thought-provoking book. His study may not fully answer all the questions it raises, but it does not shy away from a large number of truly far-reaching puzzles and is an important contribution to ongoing research and theory building. Anybody interested in Japan's political economy needs to give this book the thorough attention it deserves.

David Chiavacci

University of Zurich, Zurich, Switzerland

Last Revised: November 29, 2018

Pacific Affairs

Vancouver Campus
376-1855 West Mall
Vancouver, BC Canada V6T 1Z2
Tel 604 822 6508
Fax 604 822 9452
Email enquiry@pacificaffairs.ubc.ca (<mailto:enquiry@pacificaffairs.ubc.ca>)

Find us on



(<https://www.facebook.com/PacificAffairsJournal/>)



(<https://twitter.com/PacificAffairs/>)